

March 19, 2010

Randy Sekany
President
San Jose Fire Fighters, Local 230
425 E. Santa Clara Street, Suite 300
San Jose, CA 95113

Re: Binding Interest Arbitration

Dear Randy:

As you know, the Memorandum of Agreement between the City and Local 230 expired on June 30, 2009. Unfortunately, we were unable to reach an agreement on a new contract, and impasse was declared. The City and Union have had several mediation sessions in an effort to reach a voluntary agreement. To date, however, no agreement has been made on any issue. In addition to the mediation sessions, we have scheduled arbitration beginning on June 18, 2010.

As you are aware, the City's budget deficit for Fiscal year 2010-2011 has recently increased 20% from \$96.4 million to \$116.2 million. The City will be in negotiations with up to nine bargaining units in the next several weeks. The City has also requested to reopen contracts with two bargaining groups that have contracts through 2011. The goal of the negotiations with Local 230 and all of the other bargaining groups is to achieve ongoing total compensation savings that will help balance the City's budget for Fiscal Year 2010-2011. If savings are achieved, it will lessen the number of layoffs necessary and help preserve services to the community. The City Council will need to make a number of difficult decisions regarding service levels to achieve a balanced budget by July 1st. Therefore, it is crucial that resolution of pending labor discussions be completed by June 3, 2010, to allow time for approval by the Council.

In light of the challenges that the City is facing for Fiscal Year 2010-2011, we would like to continue our efforts with Local 230 to reach a voluntary agreement. As you know, once we proceed to arbitration, it will take several months before an award is issued. Therefore, we would like to reschedule arbitration so that we can focus our efforts and resources on reaching a negotiated agreement with Local 230.

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We will be notifying the arbitrator of our request to move the arbitration dates out and use the interim time to try and reach a settlement with Local 230 before the adoption of the Fiscal Year 2010-2011 budget.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alex Gurza', with a long horizontal flourish extending to the right.

Alex Gurza
Director of Employee Relations

c: Darryl Von Raesfeld, Fire Chief
Teresa Reed, Assistant Fire Chief
Jeff Welch, IAFF, Local 230 Vice-President
Christopher Platten, IAFF, Local 230 Legal Counsel
Charles Sakai, City Labor Consultant